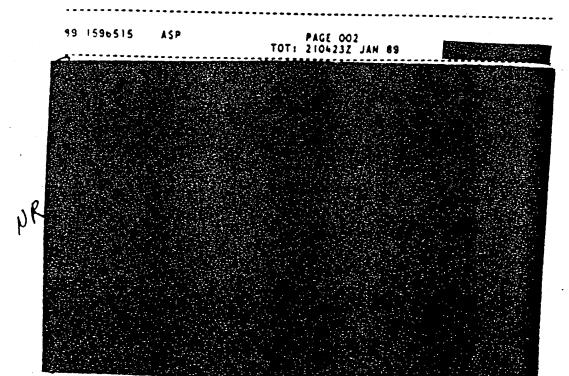


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3. CHINA-UK: DRAFT CONSTITUTION FOR HONG KONG REVISED

THE BEIJING-APPOINTED BASIC LAW DRAFTING COMMITTEE RECENTLY APPROVED A REVISED DRAFT OF HONG KONG'S POST-1997 CONSTITUTION. THE NEW DRAFT ELIMINATES REQUIREMENTS THAT THE TERRITORY BALANCE ITS BUDGET AND KEEP ITS TAX RATES LOW. THE COMMITTEE REJECTED PROPOSALS THAT WOULD SPEED UP DEMOCRATIZATION AND INSTEAD ENDORSED ONE THAT PUTS STRICT CONTROLS ON CHOOSING HONG KONG'S GOVERNOR IN THE YEAR 2012. THE REVISED DRAFT WILL BE SUBMITTED TO CHINA'S NATIONAL PEOPLE'S CONGRESS FOR APPROVAL NEXT MONTH; BEIJING THEN WILL CANVASS PUBLIC OPINION IN HONG KONG AGAIN BEFORE ADOPTING THE CONSTITUTION.

THE REVISION OF THE ECONOMIC PROVISIONS WILL GIVE THE FUTURE HONG KONG GOVERNMENT MORE FLEXIBILITY IN FORMULATING ECONOMIC POLICIES—A STEP THAT FOREIGN INVESTORS AND LOCAL BUSINESSES WILL WELCOME. THE COMMITTEE'S DECISION TO SUPPORT THE PROPOSALS OF CONSERVATIVE BUSINESS INTERESTS ON POLITICAL REFORM, HOWEVER. IS CERTAIN TO TRIGGER NEW PRESSURE FROM GROUPS THAT FAVOR DIRECT ELECTIONS AND FULL REPRESENTATIVE GOVERNMENT. ALTHOUGH BEIJING HAS ENCOURAGED THE TWO HONG KONG CONSTITUENCIES TO REACH A COMPROMISE. IT NO DOUBT SUPPORTS THE POSITION ESPOUSED BY BUSINESS INTERESTS AND PILL PROBABLY TRY TO CONTROL PUBLIC DEBATE TO MAKE SURE THAT THAT

